

## REMARKS

This responds to the Office Action mailed on August 23, 2004.

Claims 1, 6 and 24 are amended and claims 2-4, 7-23 and 25 are withdrawn. As a result, claims 1, 6 and 24 remain pending in this application. The amendments to the claims clarify and more particularly define what Applicant considers to be the claimed invention.

### §103 Rejection of the Claims

Claim 1-4, 6, 10, 14-19 and 21-25 were rejected under 35 U.S.C. 103(a) as being unpatentable over Ho et al. (US Patent 6,120,300) in view of the Examiner's Official Notice. The Examiner admits that Ho et al. is silent regarding the participant participating in the setting and selection of the participant's goals. The Examiner takes Official Notice that it is notoriously old and well known in the art of incentive and reward systems for participants to partake [with the sponsor] in the setting and selection of goals in order to encourage or motivate a participant to accomplish the established goals.

It is notable that in previous office actions, the Examiner took Official Notice that it was well known for individuals to set goals for themselves and that upon achieving such [personal] goals, for the individual to reward himself/herself. The Examiner cited Noori as evidence it is well known for employers to set goals for their employees. In the most recent office action, the Examiner now takes Official Notice that involving the participant in the setting and selection of the sponsor's goals is well known in the art. Participant respectfully asserts that the Examiner's Official Notice is misplaced.

Applicant's program has sponsor selected levels of performance or achievement, as do many other incentive programs, including Noori. By the Examiner's own admission, Ho et al. does not disclose the participant partaking in the setting and selection of the sponsor's goals. Neither does Noori. Further, Applicant submits it is NOT well known in the art for the sponsor to select the goals, and for the participant to be given the option of choosing which level in a hierarchy of sponsor-defined levels of performance the participant elects as a goal, knowing in advance that the higher the level of performance, the greater the potential reward for achieving the desired level of performance. Further, Applicant's program only rewards the participant if the self-selected level of performance is achieved. If the participant selects a high level of

performance and falls short of achieving this level of performance, no reward is provided, even if other lower levels of performance were achieved. Additionally, if the participant overachieves by reaching a level of performance above the participant's selected level of performance, the participant does not receive a reward associated with the higher level of achievement, only the reward associated with the selected level of achievement. This is markedly different than what is disclosed in Noori, which is merely sponsor-imposed goals, or Ho et al., which by the Examiner's own admission, does not disclose participant self-selection of one of many sponsor-defined levels of performance.

Applicant respectfully asserts there is a significant difference between a sponsor "involving" the participant in the process of establishing goals for the common benefit of the sponsor and participant and to help motivate the participant to achieve the mutually agreed upon goals, and Applicant's program which establishes an "all-or-nothing" risk and reward system, where selection of too high of a level of performance runs the risk of no award if the participant falls short of the goal, while simultaneously providing a higher value reward if the participant selects and achieves a higher level of performance. Limiting the reward to that associated with the participant selected level of performance further encourages the participants to select the highest realistic goal.

Claim 1, as amended, recites:

1. A method for providing incentive comprising:
  - creating a hierarchy of participant performance levels defined by a program sponsor, including a minimum threshold level of performance, each successive performance level above the minimum threshold level of performance defining a higher degree of achievement than the previous performance level;
  - associating at least one reward with achievement of each specific level of performance, such that the participant's reward for achieving each performance level above the minimum threshold level is of greater value than the reward associated with a participant achieving the previous performance level;
  - requiring each participant to select a specific level of performance to be achieved by the participant from the hierarchy of sponsor-defined levels of performance;
  - storing actual performance data of each participant;
  - comparing the actual performance data of the participant to the selected performance level criteria, and generating a result indicating whether the participant achieved the participant's selected level of performance; and

- granting to the participant the reward associated with the participant's selected level of performance only if the participant achieved at least the participant selected level of performance.

Applicant's specification is replete with references to the participant selecting one of a plurality of levels of performance determined by the sponsor. See Line 11, page 2; lines 29-30, page 2; lines 23, page 9; lines 1-4, page 13, amongst many others. Applicant has reviewed Ho and Noori and can find no teaching or disclosure of this element. Ho merely discloses that a student can select a reward or defer a reward (see e.g. column 13, lines 24-48). Noori merely reflects that employers can establish goals in an incentive program.

The specification discloses the use of rewards of differing value, as indicated on lines 7-11, page 11. Neither Ho or Noori teach or suggest that a participant can select a performance level from a menu of hierarchal, sponsor-defined performance levels, or that there is an increased risk and reward from a participant selecting a (one) higher level of performance to be achieved.

The specification discloses that the participant only receives a reward if the applicant achieves the selected level of performance. See lines 3-7, page 16. 7-10, page 20, amongst many others. As a result, Ho and Noori do not teach or disclose each element of the claimed invention. Applicant respectfully requests the withdrawal of the rejection of claim 1.

Claims 6 and 24 each depend directly from claim 1, and therefore inherit the elements of claim 1, in addition to adding further patentable distinctions. Claims 6 and 24 are therefore allowable for at least the same reasons as discussed above with respect to independent claim 1.

Applicant asserts that its program, as clarified, was not at the time of the invention, obvious to one of ordinary skill in the art. The Examiner has not cited any reference that supports the Examiner's Official Notice under these circumstances. Further, an objective guidepost is available to evidence Applicant's assertion that its program was not obvious to a person of ordinary skill in the art. Specifically, Applicant's program has achieved very significant commercial success in the marketplace due to the uniqueness of its functionality, as evidenced by the Affidavits of John M. Jack, a senior vice president of Schoeneckers in charge of product development, and Richard R. Carreon, a Vice President of Sales of Medtronics, Inc. in charge of Medtronil Gastroenterology & Urology, a Minnesota based corporate sponsor of many GoalQuest® programs, so impressed with the GoalQuest® program that they were willing to provide an affidavit.

Applicant presently has over 96 clients utilizing the incentive program which is the subject of the Application, marketed under the trademark GoalQuest®. Applicant is presently operating 172 active GoalQuest® programs. With each client, Applicant may provide one or simultaneously operate numerous GoalQuest® incentive programs on behalf of the client. Applicant currently has 31 clients that are or have collectively operated a cumulative total of 118 GoalQuest® programs. The fact that this many clients chose to simultaneously run two or more GoalQuest® programs is a strong indicator of the commercial success of the GoalQuest® program.

There are presently 160,777 participants who are eligible to participate in the GoalQuest® program; of these potential participants, 111,993 participants have selected a goal and have participated in the GoalQuest® program.

The GoalQuest® program and method as conceived and operated since the inception of the program are as described in claims 1, 6 and 24. The GoalQuest® program has been a great success for Applicant. The corporate sponsors of the GoalQuest® programs pay Applicant a fee. In late 1999, the first GoalQuest® program was introduced into the marketplace. In Fiscal Year 2001-2002, Applicant generated \$441,207 in revenues from the GoalQuest® programs. In Fiscal Year 2002-2003, revenues from the GoalQuest® program were \$2,575,584. In Fiscal Year 2003-2004, revenues from the GoalQuest® program were \$4,803,125. Revenues from the GoalQuest® program for Fiscal Year 2004-2005 YTD are \$4,792,983, with 5 months left in the 2004-2005 Fiscal Year.

When the GoalQuest® program was first conceived, Applicant anticipated that the GoalQuest® program could bring about a large increase in sales of Applicant's incentive programs, because no one in the incentive field was known to have combined a menu of sponsor defined goals, participant selection of one of the goals from a menu of sponsor defined goals, coupled with a risk - reward system that encourages the participant to strive for higher performance levels to achieve greater rewards. Because Applicant tracks its program performance and business relationships, it is known that the GoalQuest® program expanded our client base as well as the volume of business we have with our current customers.

Because of Applicant's confidence in the success of its GoalQuest® program, applications for patent protection were also filed in the Europe and Canada, all of which are still pending.

Applicant believes it was the first provider of incentive programs to conceive of this program and that Applicant remains the only incentive program provider offering this functionality.

The GoalQuest® system as described in the claims pending in the Application is also being marketed in Europe, the Middle East, Asia Pacific Rim, Mexico and Canada, with widespread success.

The GoalQuest® system has always included the features covered by the pending claims. Specifically, with regard to certain features of the pending claims, the GoalQuest® program has always included at least the following elements:

- creating a hierarchy of participant performance levels defined by a program sponsor, including a minimum threshold level of performance, each successive performance level above the minimum threshold level of performance defining a higher degree of achievement than the previous performance level;
- associating at least one reward with achievement of each specific level of performance, such that the participant's reward for achieving each performance level above the minimum threshold level is of greater value than the reward associated with a participant achieving the previous performance level;
- requiring each participant to select a specific level of performance to be achieved by the participant from the hierarchy of sponsor-defined levels of performance;
- storing actual performance data of each participant;
- comparing the actual performance data of the participant to the selected performance level criteria, and generating a result indicating whether the participant achieved the participant's selected level of performance; and
- granting to the participant the reward associated with the participant's selected level of performance only if the participant achieved at least the participant selected level of performance.

The success of any incentive program is subject to environmental factors. The market for these types of programs is dynamic, not static. Applicant believes that the predominant factor involved in the success of the GoalQuest® program is the unique combination of features of the program. The marketing efforts by Applicant for the GoalQuest® program as described in the pending patent claims were initially limited in that Applicant desired to make a limited allocation of its personnel to the project until market reaction justified expanding the marketing effort. The resources allocated to marketing the GoalQuest® program today are roughly the same as any other incentive program offered by Applicant. No special price concessions or other enticements

have been offered to artificially create a market for the GoalQuest® program; in fact, Applicant now charges a premium for purchase of the GoalQuest® program due to its popularity. Sponsors are attracted by the personal commitment or “buy in” they obtain from participants who are encouraged to achieve high levels of goals (because of the higher level of reward associated with the higher risk of failure), and the payout for the sponsor is usually less than for many other competing programs and performance by the participants is enhanced. Performance tracking for the GoalQuest® program has indicated that 54% of the participants in the GoalQuest® program achieve above the base line level (the level that they would achieve in the absence of an inducement). This value corresponds to 23% in other Applicant incentive programs.

Applicant offers a great variety of incentive programs to its clients. Competitors of Applicant also offer a variety of incentive programs to Applicant’ clients. The GoalQuest® program has successfully competed against all of these programs to the point that Applicant’ customers that have used the GoalQuest® program have frequently chosen to run multiple versions of the GoalQuest® program simultaneously. The commercial success of the GoalQuest® program has separated Applicant from its competitors and has given Applicant a competitive advantage in the marketplace, both in the United States and outside the United States.

The incentive award business has for many years needed a system and method that offers the advantages of the claimed invention. The GoalQuest® program has filled a demand that has existed in the incentive award field for a more effective motivator of participant performance.

Applicant believes that the GoalQuest® incentive award system and the method covered by the pending claims will continue to be successful. So does at least one of its IP sophisticated clients (sponsors) Medtronic, Inc. Applicant expects sales, as well as the amounts deposited in participants reward accounts under the GoalQuest® system, will continue to grow.

### **Claim Rejection – 35 USC Section 103**

Claims 1-4 and 6-25 were rejected under 35 USC § 103(a) as being unpatentable over Ho et al. in view of Noori et al. (“Production and Operations Management, Total Quality and Responsiveness”, McGraw-Hill, Inc.). In order for the Examiner to establish a prima facie case of obviousness, three base criteria must be met. First, there must be some suggestion or

motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on applicant's disclosure. *M.P.E.P.* § 2142 (citing *In re Vaeck*, 947 F.2d 488, 20 USPQ 2d 1438 (Fed. Cir. 1991)). Applicant respectfully submits that the cited references do not teach each and every element of Applicant's claims. For example, claim 1 recites:

1. A method for providing incentive comprising:

- creating a hierarchy of participant performance levels defined by a program sponsor, including a minimum threshold level of performance, each successive performance level above the minimum threshold level of performance defining a higher degree of achievement than the previous performance level;
- associating at least one reward with achievement of each specific level of performance, such that the participant's reward for achieving each performance level above the minimum threshold level is of greater value than the reward associated with a participant achieving the previous performance level;
- requiring each participant to select a specific level of performance to be achieved by the participant from the hierarchy of sponsor-defined levels of performance;
- storing actual performance data of each participant;
- comparing the actual performance data of the participant to the selected performance level criteria, and generating a result indicating whether the participant achieved the participant's selected level of performance; and
- granting to the participant the reward associated with the participant's selected level of performance only if the participant achieved at least the participant selected level of performance.

As discussed above, Ho fails to teach or disclose the recited language. In addition, Applicant has reviewed Noori and can find no reference to self-selection (e.g. by a participant) of a performance level from a plurality of performance levels provided by a program sponsor. Neither Ho nor Noori reflect the increased risk and reward functionality of the present invention. As a result, neither Ho nor Noori teach or disclose each and every element of claim 1.

With respect to self-selection of performance levels, the Office Action states that it is old and well known in the art of personal motivation for individuals to establish their own goals and reward themselves. Applicant notes that this is different from claim 1 as amended in which a participant has the option of selecting a level of performance from a hierarchy of sponsor-defined performance levels with associated hierarchical reward, creating a greater risk for failure and greater rewards for success than known incentive programs.

In view of the above, Applicant respectfully submits that the cited references fail to teach each and every element of Applicant's claim 1, and requests the withdrawal of the rejection of claim 1.

Claims 6 and 24 depend directly from claim 1. These dependent claims are therefore inherit the elements of claim 1, in addition to adding further patentable distinctions. Claim 6 adds further clarification to the program that if the participant overachieves and reaches a level of performance above the selected level, the participant does not receive the reward associated with the higher level of performance. Applicant has reviewed Ho et al. and Noori and can find no suggestion, teaching or disclosure of the recited elements of claim 6. As a result, the combination of Ho and Noori fails to teach or suggest each and every element of claim 3. Therefore Applicant respectfully submits that claim 6 is non-obvious and requests allowance of claim 6.

### **CONCLUSION**

Applicant respectfully submits that the claims are in condition for allowance and notification to that effect is earnestly requested. The Examiner is invited to telephone Applicant's attorney at (612) 347-0282 to facilitate prosecution of this application.

If necessary, please charge any additional fees or credit overpayment to Deposit Account No. 502442.